



COUNCIL OF FEDERAL
HOME LOAN BANKS

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VIA EMAIL

August 31, 2009

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

**RE: Amendments to Rule 2a-7 (Proposed Rule)
Release No. IC-28807, File No. S7-11-09**

Dear Ms. Murphy:

I am writing on behalf of the Council of Federal Home Loan Banks (Council), a trade association which includes all twelve Federal Home Loan Banks. The Council appreciates the opportunity to comment on the above-referenced amendments to Rule 2a-7. The Council recommends that the definitions of “daily liquid assets” as defined in II.C.2.a. and “weekly liquid assets” as defined in II.C.2.b. be expanded to include Federal Home Loan Bank (“FHLBank”) discount notes with a remaining maturity of 44 days or less. In addition, we recommend that remaining maturity of discount notes be the standard for determining maturity, as opposed to original maturity as recommended by Investment Company Institute, since discount notes of one maturity carry the same CUSIP and are indistinguishable based on issue date. As proposed, these definitions would unnecessarily limit money market fund investment options.

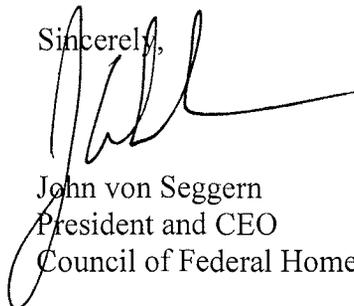
FHLBank discount notes are sufficiently liquid to be included in these definitions. During the stressful market conditions of August and September of 2008, the Office of Finance of the Federal Home Loan Banks (Office of Finance) was capable of continuous issuance of significant volumes demonstrating a liquid market. Market conditions deteriorated in September 2008 with extreme stress occurring in the days immediately prior to September 19, 2008. On that date, the Federal Reserve announced the purchase of FHLBank, Fannie Mae and Freddie Mac discount notes for the System Open Market Account (SOMA). Immediately before that date, the FHLBanks continued to successfully issue substantial volumes of discount notes with maturities from 1 to 44 days.

In a separate comment, the Office of Finance is providing market data on daily sales of FHLBank window discount notes in all maturities for the period August 2008 through October 2008. Sales through the window program are investor driven. In contrast, the auction program is indicative of dealer underwriting demand. The Office of Finance data also includes auction volumes for the same period. We would note that, in spite of the dramatic decline in dealer underwriting capacity as evidenced by the depressed auction volumes, investor demand as

evidenced by the window program was strong throughout this time period. Ongoing investor demand for FHLBank debt sustained low yields for discount notes. The data indicates that although yields were volatile during the time period, overall, the one-month yield declined as a result of flight-to-quality flows.

The Council believes that the Commission should carefully review and reconsider the definitions of “daily liquid assets” and “weekly liquid assets” in the proposed Rule. As proposed, these definitions would unnecessarily restrict the investment alternatives for money market funds.

Sincerely,

A handwritten signature in black ink, appearing to read 'John von Seggern', with a long horizontal flourish extending to the right.

John von Seggern
President and CEO
Council of Federal Home Loan Banks